ANNUAL REPORT

for the fiscal year
ending March 31, 1999

Nova Scotia Farm Loan Board

100-07105/

His Honour
The Honourable J. James Kinley
Lieutenant-Governor of the
Province of Nova Scotia

May It Please Your Honour,

I have the honour to submit the Annual Report of the Nova Scotia Farm Loan Board for the fiscal year ending March 31, 1999.

Respectfully submitted,

Ernest L Fage

Ernest L. Fage
Department of Agriculture
and Marketing

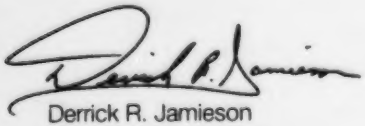
The Honourable Ernest L. Fage
Minister of Agriculture and Marketing
Province of Nova Scotia
Halifax, Nova Scotia

Sir:

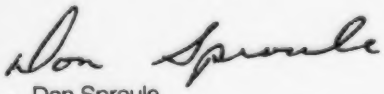
On behalf of the Nova Scotia Farm Loan Board, we have the honour of presenting the 67th Annual Report of the Nova Scotia Farm Loan Board covering the fiscal year ending March 31, 1999.

As required by Section 12 of the Agriculture and Rural Credit Act, 1989, this report contains a summary of Board activities and the audited financial statements.

Yours truly,



Derrick R. Jamieson
Chief Executive Officer



Don Sproule
Vice-Chairman

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THE NOVA SCOTIA FARM LOAN BOARD

Board Members

Chairman	Theodore Ueffing
Vice-Chairman	Donald Sproule
Member	Carol Versteeg
Member	Marlene MacMillan
Member	Rita Mitchell

Principal Officers

Chief Executive Officer	Derrick Jamieson, P.Ag.
Solicitor to Board	Attorney General
Auditor	Auditor General

Truro Office

Manager, Accounting/Administration	Philip Green, CMA
Credit Supervisor	Jim Houghton, P.Ag.
Acting Senior Loan Officer	Maria McCurdy, P.Ag.
Loan Officer	John Murray, P. Ag.
Loan Officer	Edith Doyle
Loan Officer	Angus MacKinnon
Loss Provision Manager	Wayne MacLeod
Information Co-Ordinator	Sherry Canton
Legal Secretary	Karen Murdock
Secretary	Susan Vergie
Secretary	Colleen Flemming
Secretary	Carolyn MacAulay
Senior Accounting Clerk	Susan Archibald
Accounting Clerk	Krista Morrisey-McNutt

Kentville Office

Senior Loan Officer	Robb MacMillan
Loan Officer	John Molenhuis, AIT
Donna Lombard	Secretary
Barb Spicer	Casual Secretary

CHIEF EXECUTIVE OFFICER'S REPORT

The Nova Scotia Farm Loan Board promotes, encourages, and supports agricultural and rural business development through the provision of long-term loans at fixed interest rates and financial counselling services. The Board is a corporation of the Crown and is an integral part of the Nova Scotia Department of Agriculture and Marketing. The Board also provides assistance to the Department of Natural Resources and other departments of government involved in rural Nova Scotia. Activities of the Board are consistent with the provincial government's priorities of providing economic opportunity, security, and the support necessary to allow people and communities to grow.

The Board works closely with the Department of Agriculture and Marketing and other partners involved in the growth of rural Nova Scotia and will continue to assist in the delivery of programs of benefit to the rural areas. In particular the Board is involved in the administration of a five-year relief package for weather-related losses and a program to attract and support new farmers. By being involved in these initiatives the Board can capitalize on opportunities for economic growth in the agricultural sector, including new crop and livestock investments and new technologies, including those in biotechnology, value-added activities, emerging and export markets, environmental improvements, and agri-tourism.

Rural Nova Scotia will be in greater need of stable and available credit in the years ahead. Over the past 10 years, agricultural lending has increased by approximately $105 million. It is estimated that lending will increase over the next ten years by an additional $100 million. The Board will continue to use the investment capital available through programs to provide partnership opportunities within the financial community. The programs will assist in strengthening the rural fabric of the province.

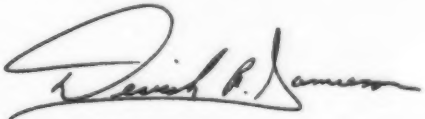
Strategic goals for the Board will need to be constantly reviewed and updated to meet the needs of rural Nova Scotia. The specific goals are to:

- focus on access to stable cost-effective long-term developmental credit
- identify and analyse growth opportunities in rural industries
- promote awareness and use of financially sound business principles

Financing the growth of rural Nova Scotia can best be accomplished through the programs and services of the Nova Scotia Farm Loan Board and Timber Loan Board partnering with other lenders. The Boards have traditionally provided long-term financing at fixed, reasonable interest rates. The Board has effectively financed areas not traditionally covered by other lending agencies. Through its strategic goals, the Board will continue to create alliances for partnership with agricultural, forestry, and lending industries to provide the best available source of credit.

A knowledgeable and dedicated Board and staff have and will continue to provide a developmental long-term lending program that is cost-effective and that helps to create opportunities for rural Nova Scotia.

This industry has a great deal to look forward to for the future. As a member of the Board, I look forward to working with our clients. The Board will continue to change and adapt to provide a client-driven service focusing on the needs of Nova Scotia agriculture and agri-rural businesses for now and in the future.



Derrick R. Jamieson
Chief Executive Officer

BOARD OPERATION OVERVIEW

DIRECT LOANS

During its sixty-seventh year of operation, the Board met on nine occasions encompassing 17 days. Two hundred and sixty-six requests totalling $40,887,726 were processed for 1998–99.

The Board approved 147 new loans totalling $20,449,375. Sixty-six clients requested that their loans with the Board be transferred to the new regulations. The Board also processed 53 requests totalling $11,859,606 from farmers to have their existing loans transferred to the new regulations along with obtaining additional funds.

In addition to its loan function to agriculture and owners of forest product mills, staff administered the Young Farmers Interest Forgiveness Program and the Land Purchase and Lease Program. Properties purchased under ARDA Project 22015 in the period 1965–71 were a continuing responsibility of the Board and staff.

Applications for five loans in the amount of $805,849 were rejected because the applicants were unable to meet the requirements of the Board. Eleven loan requests totalling $4,401,000 were approved by the Board and later cancelled by the borrower prior to completion.

The total loans in effect were 1,088 in 1998–99. The Board's total loans increased by 53 in 1998–99 from the previous year.

Payments on loans totalled $27,411,000 during 1998–99. An additional $339,000 was received in group life insurance premiums.

TIMBER LOANS

There were two loan requests in this category in the amount of $456,185 for 1998–99. Twenty Timber Loan category loans totalling $1,845,000 were outstanding in 1998–99.

Staff of the Farm Loan Board is responsible for administrative detail with respect to receiving applications, preparing documents, disbursing loans, and maintaining loan records. Personnel of the Department of Natural Resources carry out loan appraisals, prepare reports, and

provide recommendations on timber loan requests. In addition, the Department of Natural Resources supervises requests to cut forest products from land held as security for loans and establishes stumpage rates for material removed.

FARM CONSOLIDATION AND LAND USE

Between 1965 and 1970, under the terms and conditions of a joint Government of Canada–Province of Nova Scotia ARDA project, properties were purchased for leasing to enlarge commercial farm operations. The administration of properties under a lease is a continuing responsibility of the Board.

ARDA lease accounts at March 31, 1999 had an outstanding balance of $67,000. Eight lessees exercised their purchase option in 1999.

LAND PURCHASE AND LEASE

The Farm Loan Board, at the request of the Land Purchase and Lease Committee, carries out the administrative details in the leasing of these properties.

Twenty-six lessees exercised their purchase option for a total cost of $758,005 in 1999. In total, 120 properties are currently held under the program, a decline of 23 from the previous year. The outstanding balance on leased properties under this program at year end was $2,916,000.

ESTABLISHMENT OF YOUNG FARMERS PROGRAM

This program is designed to encourage young farmers to acquire and develop a commercial farm. Assistance is based on the amount of interest actually paid in the 12-month period immediately following the loan approval date on the first $100,000 of eligible borrowing.

Benefits paid under this program do not exceed the lesser of:

- the amount of interest actually paid by the applicant on the first $100,000.00 of eligible borrowing
- 8 per cent interest rate on eligible borrowing
- $8,000

Eligible loans can be obtained through the Farm Loan Board or the Farm Credit Corporation. Applicants must be between 19 and 35 years of age, acquiring a farm property for the first time. If applicants are entering a partnership or corporation, they must have at least a 25 per cent controlling interest of the farm. New borrowers will be required to repay the amount of money received under the program if the farm is sold or the farming operation is discontinued for any reason within a five-year period from the loan approval date.

Farm Loan Board benefits in the amount of $97,000 were made to 15 applicants while Farm Credit Corporation benefits of $5,000 were made to one applicant under this program.

LIFE INSURANCE

The Farm Loan Board administers a creditor group life insurance for farmers. The policy is held with the Mutual Life Assurance Company of Canada. Total insurance in force at the end of 1998–99 was $137,421,000.

ADVERSE WEATHER LOAN PROGRAMS

On December 19, 1997 the Department of Agriculture and Marketing announced an interest relief Loss Provision Program. This program was established to assist Nova Scotia's farmers to recover from financial loss that they may have incurred in 1997 because of adverse weather. Nova Scotia farm businesses that qualified for the program will receive interest assistance from financing undertaken to compensate for income lost in 1997. This program was also extended to include maple producers affected by the ice storm in January 1998.

The program may pay the interest (up to 7.5 per cent) on a qualified loan for two years. The maximum loan of $100,000 ($200,000 for beef and potato producers) must have been approved by the Nova Scotia Farm Loan Board or another financial institution between July 1, 1997 and June 30, 1998 to qualify for assistance.

The total benefit possible is $15,000, except for beef and potato producers, who may be eligible for up to $30,000. Program funds were disbursed over two years in three separate draws.

Benefits of $3,133,525 were paid to 477 applicants under the program. Applicants under the program borrowed $21,098,671 at an average interest rate of 7.445 per cent to qualify for benefits under the program. The average size of loan established was $44,232, with average benefits of $6,569 per applicant.

As a result of additional adverse weather in the 1998 growing season, a new relief package for Nova Scotia farmers was announced on November 18, 1998 by the Department of Agriculture and Marketing. This program consisted of three components.

Component I is a reintroduction of the Weather Related Loss Provision Program. This program provides a grant to farmers to assist in paying interest on loans taken out to offset weather related losses in 1998. Component II establishes a grant program to assist farmers in making payments on loans taken out to offset weather related losses. This grant program was set up to pay 50 per cent of the loan principal established under the 1997 Loss Provision Program over a five-year period. Component III was established to provide funding for a proposed Agricultural Income Disaster Assistance Program. This component would be part of the Provincial Safety Net Package cost-shared with the federal government (60 per cent federal/40 per cent provincial).

The total cost of the three components was estimated at $20,000,000 over five years.

Program assistance on each of the components would be pro-rated if total demand for the program funds exceeded available budget allocations.

TABLE 1
NUMBER OF LOAN APPROVED BY COUNTY, 1998-99

	New		Rollover		Combination		Total Loans	
County	**#**	**Value**	**#**	**Value**	**#**	**Value**	**#**	**Value**
Annapolis	14	$2,541,479.68	3	$240,717.31	4	$949,482.47	21	$3,731,679.46
Antigonish	10	3,782,383.76	6	457,434.53	5	1,222,622.09	21	5,462,440.38
Cape Breton	2	85,993.00	3	409,308.35	5	495,301.35		
Colchester	23	2,052,358.30	11	992,215.54	13	2,219,821.02	47	5,264,394.86
Cumberland	12	1,150,490.31	7	1,236,314.52	6	1,636,070.95	25	4,022,875.78
Digby	14	2,608,643.16	3	133,251.24	2	130,362.73	21	3,328,442.59
Guysborough	3	95,199.57	1	23,349.93	4	118,549.50		
Halifax	7	475,326.00	2	207,304.92	1	539,357.42	10	1,221,988.34
Hants	12	1,363,299.74	4	859,577.92	4	1,097,670.88	20	3,320,548.54
Inverness	6	1,154,216.26	1	115,305.97	2	386,249.38	9	1,655,771.61
Kings	33	4,386,071.50	18	3,306,680.23	11	3,089,701.90	62	10,782,453.63
Lunenburg	3	143,101.50	—	—	3	237,992.76	6	381,094.26
Pictou	6	306,512.50	6	548,116.50	2	350,274.74	14	1,204,903.74
Queens	—	—	1	49,167.29	—	—	1	49,167.29
Richmond	1	294,000.00	—	—	—	—	1	294,000.00
Shelburne	—	—	—	—	—	—	—	—
Victoria	—	—		—	—		—	—
Yarmouth	1	10,300.00	—	—	—	—	1	10,300.00
Total Loans	147	20,449,375.28	66	8,578,744.25	53	11,859,606.34	266	40,887,725.87
Timber Loan Board							2	2,456,185.46
Total Loan Activity, Timber Loan Board							268	41,343,911.33

TABLE 2
NO. OF LOANS APPROVED, BY PURPOSE
1998–99

Number of New Loans	147	$20,449,375.28
Number of Account Rollovers	66	$8,578,744.25
Combination	53	$11,859,606.34
Total Approved	266	$40,887,725.87
Number of Timber Loans	2	$456,185.46

Commodity	Number	Total	% of Total*
Beef	39	$ 2,561,375.60	6
Beef/Dairy	3	365,839.00	1
Blueberry	15	1,462,148.10	4
Cranberry	4	934,158.75	2
Dairy	76	17,155,156.68	42
Fruit	4	497,274.39	1
Fur	4	440,937.50	1
Greenhouse	10	834,289.19	2
Hog	20	4,178,409.74	10
Livestock	9	1,085,705.74	3
Other	36	5,376,135.54	13
Poultry	17	3,120,949.31	8
Sheep	6	345,773.65	1
Strawberry	8	547,739.38	1
Vegetable	15	1,981,833.30	5
Total	266	$40,887,725.87	100.00
Timber Loan	2	456,185.46	
Grand Total	268	$41,343,911.33	

*These percentages are calculated on the total value of loan activity of $40,887,725.87, which excludes the amount of $456,185.46 paid in Timber Loans.

TABLE 3
ACCOUNTS AND LOAN PRINCIPAL

	1998–99		1997–98	
	#	Amount	#	Amount
Farm Loan Accounts	1,088	$150,694,000	1,035	$137,461,000*
Timber Loan Accounts	20	1,845,000	21	1,608,000
Land Bank Accounts	120	2,916,000	143	3,670,000
ARDA Accounts	31	67,000	34	82,000
Real Estate Accounts	30	2,232,000	29	1,689,000*
Total	1,289	$157,754,000	1,262	$143,510,000
Provision for Credit Losses		6,594,000		6,159,000
Net Principal Receivable		$151,160,000		$137,351,000

TABLE 4
REVENUE AND RECOVERIES

	1998–99 Amount	1997–98 Amount
Interest Revenue	$11,332,000	$11,374,000*
Fees and Other Recoveries	228,000	178,000
Life Insurance Premiums paid by clients	339,000	314,000

***Revised**

TABLE 5
OTHER INFORMATION

	1998–99		1997–98	
	#	Amount	#	Amount
Total Value of Life Insurance		$137,421,000		$131,969,000
Establishment of Young Farmers				
Farm Loan Board	15	$97,000	22	$147,000
Farm Credit Corporation	1	5,000	10	58,000
Total	16	$102,000	32	$205,000

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
FINANCIAL STATEMENTS
MARCH 31, 1999

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AUDITOR'S REPORT

To the Minister of Agriculture and Marketing; and
To the Chair and Members of the Nova Scotia Farm Loan Board

I have audited the balance sheet of the Nova Scotia Farm Loan Board as at March 31, 1999. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1999 in accordance with the accounting policies set out in Note 2 of the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
May 4, 1999

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
BALANCE SHEET
AS AT MARCH 31, 1999

Assets

	1999	1998
	(in thousands)	
Accounts receivable	$ 1,609	$ 1,256
Loans receivable (Note 3, Schedule 1)	146,788	132,659
Real estate (Note 4)	4,373	4,691
	$152,770	$138,606

Liabilities

Insurance reserve (Note 5)	$ 2,380	$ 2,098
Advance from Department of Finance (Note 6)	150,390	136,508
	$152,770	$138,606

Commitments (Note 7)
Contingency (Note 8)

APPROVED ON BEHALF OF THE BOARD

_____
Chair

_____
Member

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
NOTES TO BALANCE SHEET
MARCH 31, 1999

1. Authority

The Nova Scotia Farm Loan Board operates under the authority of the Agricultural and Rural Credit Act. The Board was established to increase agricultural activities in the Province by providing financial assistance to farmers.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the following policy.

Administrative expenses of the Board, and interest and lease revenues earned are included in the records of the Nova Scotia Department of Agriculture and Marketing. Capital advance interest charges are recorded in the accounts of the Department of Finance. These amounts are not reflected in these financial statements. These statements also exclude accrued loan interest receivable.

3. Loans Receivable

	1999	1998
	(in thousands)	
Farm loans	$150,694	$136,461
Timber loans	1,845	1,608
	152,539	138,069
Less: Allowance for doubtful accounts	5,751	5,410
	$146,788	$132,659

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
NOTES TO BALANCE SHEET
MARCH 31, 1999

4. Real Estate - at lower of cost and net realizable value

	1999	1998
	(in thousands)	
Real estate being leased or held	$1,462	$ 990
Land bank	2,916	3,670
Land consolidation Agricultural Rural Development Agreement (ARDA)	163	163
Less: Federal Government share of cost of ARDA properties	(96)	(82)
Held for Department of Agriculture and Marketing	770	699
	5,215	5,440
Less: Allowance for doubtful recoveries	842	749
	$4,373	$4,691

5. Insurance Reserve

The Board requires borrowers to participate in a group life insurance program administered by the Board. The carrier of the insurance will pay claims up to 100% and above 125% of premiums received from borrowers during the year. The insurance reserve will be used to fund the portion of claims that fall between these two limits. In addition, the Board may use the reserve to maintain or reduce future premiums charged to borrowers under the policy and pay for professional services related to the program.

Of the total reserve, $936,000 (1998—$1,079,000) is held by the Department of Finance, which reduces the Board's advances from the Department. The remaining $1,444,000 (1998—$1,019,000) is held by the carrier of the insurance plan, and is included in the accounts receivable of the Board. Interest is paid by the insurance plan carrier on an annual basis for certain funds and on a daily basis for other funds, and the interest rates used are set at the beginning of each policy year. The funds held by the Department of Finance bear no interest.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
NOTES TO BALANCE SHEET
MARCH 31, 1999

6. Advance from Department of Finance

	1999	1998
	(in thousands)	
Advance from Department of Finance	$159,363	$144,765
Less: Insurance reserve	2,380	2,098
Allowance for doubtful accounts and recoveries	6,593	6,159
	8,973	8,257
	$150,390	$136,508

7. Commitments

As at March 31, 1999, the Board had authorized loans of $6,266,945 (1998—$10,607,214) which had not been disbursed.

8. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems with respect to dates in 1999. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000. If the issue is not adequately addressed by the Farm Loan Board, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Board's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Board, including those related to the efforts of clients, suppliers or other third parties, will be fully resolved.

SCHEDULE 1
PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
CONTINUITY OF LOANS RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 1999

	1999	1998
	(in thousands)	
Loans receivable		
Balance, beginning of year	$138,069	$136,919
Add: Advances made		
Farm loans	30,995	23,297
Timber loans	454	—
	31,449	23,297
Deduct: Payments received		
Farm loans	16,079	21,532
Timber loans	217	250
Net transfers to real estate	683	365
	16,979	22,147
Balance, end of year	152,539	138,069
Allowance for doubtful accounts	5,751	5,410
Loans receivable, net of allowance	$146,788	$132,659